

INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE
ALCOHOL AND TOBACCO TAX DIVISION



WASHINGTON 25, D. C.

Industry Circular No. 65-15

June 23, 1965

USE OF "RECONSTITUTED TOBACCO" AS A WRAPPER FOR ROLLS OF TOBACCO

Manufacturers of tobacco products:

Purpose. This industry circular is issued to advise you concerning the procedure to be followed when reconstituted tobacco (also known as homogenized leaf tobacco and tobacco sheet) is to be used as a wrapper for rolls of tobacco.

Background. Revenue Procedure 64-34, I.R.B. 1964-35,44, advised manufacturers of tobacco products of the procedure to be followed to secure an official determination of the rate of tax applicable to the tobacco product when reconstituted tobacco is to be used as a wrapper for rolls of tobacco.

The Excise Tax Reduction Act of 1965 amended the definitions of "cigar" and "cigarette" in Section 5702 of the Internal Revenue Code to read as follows:

(a) Cigar.--"Cigar" means any roll of tobacco wrapped in leaf tobacco or in any substance containing tobacco (other than any roll of tobacco which is a cigarette within the meaning of subsection (b)(2)).

(b) Cigarette.--"Cigarette" means --
(1) any roll of tobacco wrapped in paper or in any substance not containing tobacco, and
(2) any roll of tobacco wrapped in any substance containing tobacco which, because of its appearance, the type of tobacco used in the filler, or its packaging and labeling, is likely to be offered to, or purchased by, consumers as a cigarette described in paragraph (1).

Because of these amendments, questions have been raised as to whether previous tax determinations would continue in effect and whether manufacturers of tobacco products should continue to secure an official determination of the rate of tax applicable to rolls of tobacco wrapped in reconstituted tobacco.

Comments. The change in the definitions of "cigar" and "cigarette" will not affect tax determinations which were previously made.

An updated revenue procedure will be published in the Internal Revenue Bulletin in the near future to supersede Revenue Procedure 64-34. This revenue procedure will continue to provide that where a manufacturer of tobacco products intends to use reconstituted tobacco as a wrapper for rolls of tobacco he should, prior to marketing the product, secure an official determination from the Director, Alcohol and Tobacco Tax Division, of the rate of tax applicable to the tobacco product on which the material is to be used. The provisions relating to the submission of the necessary samples for the tax determination are set forth below.

Submission of samples for tax determination. An adequate sample of the reconstituted tobacco, consisting of a strip 20 feet to 30 feet in length, together with the name of the company which produces the reconstituted tobacco, should be submitted to the Director, Alcohol and Tobacco Tax Division, Internal Revenue Service, Washington, D. C., 20224.

In addition, where the reconstituted tobacco is to be used as a wrapper for rolls of tobacco which, when finished, will weigh not more than three pounds per thousand, a sample of the finished product and either the package or the proposed design of the package in which the product will appear on the market showing the mark and notice required by 26 CFR Part 270 should also be submitted to the Director, Alcohol and Tobacco Tax Division.

Inquiries. Inquiries in regard to this circular should refer to its number and be addressed to the office of your assistant regional commissioner (alcohol and tobacco tax).



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